STATE OF ILLINOIS
ILLINOIS COMMERCE COMMISSION

AMEREN ILLINOIS COMPANY	:	
dba AMEREN ILLINOIS	:	11-0279 and 11-0282 (Consolidated)
	:	

INITIAL BRIEF

OF

THE GRAIN AND FEED ASSOCIATION OF ILLINOIS

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I. INTRODUCTION

The Grain and Feed Association of Illinois ("GFA") represents operators of over 90% of the commercial grain storage space in Illinois. Its members operate grain elevators, grain dryers and feed dealerships throughout the State of Illinois, including within the Ameren Illinois Company ("AIC" or "Ameren") territories. (GFA Exh. 1.0E, p. 1-2).

GFA intervened in this docket to address its concerns with the proposed increases in electric and gas delivery rates. In particular, GFA is concerned with the rates charged to seasonal users, including its member grain dryers.

GFA is concerned with the lack of seasonally cost-based rates. For electric rates, GFA requests that AIC begin collecting the necessary data to conduct analysis of seasonally cost-based rates, particularly with respect to costs of substations and primary lines within the distribution delivery charges.

GFA also proposes that gas tariffs more universally recognize the positive impact of seasonal usage on system reliability and lower overall system costs through greater off-peak utilization. It therefore proposes meaningful opportunities under the GDS-5 rate for smaller GDS-3 users.

II. RATE BASE

III. OPERATING REVENUES AND EXPENSES

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VI. REVENUE ALLOCATION

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C. Contested Issues

1. Electric

d. DS-3/DS-4 Seasonal Rates

(i) <u>GFA Requests Ameren to Study the Seasonal Cost of Electric Delivery Service</u>.

As acknowledged by Ameren, it is a priority to move toward cost-based rates and eliminate both inter- and intra-class subsidies. (See Ameren Exh. 13.0E (Rev.), Lines 163-166). Toward that end, GFA is simply requesting that AIC study the seasonal cost of electric delivery service. AIC has not yet performed such a study.

AIC's distribution and substation peaks occur during summer months and thus cost of electric delivery service is seasonal. The Commission has ordered that AIC allocate distribution substation and circuit costs on an annual coincident peak basis (Order, Docket Nos. 09-0306 (cons.), p. 237). The annual coincident peak occurs during summer months and not during the fall. The Commission also made it clear that the individual monthly peak of any one customer is irrelevant when allocating distribution substation and circuit costs, because the substations and circuits serve multiple customers. (*Id.*) To date, AIC has only partially studied a few circuits and no substations with one individual customer non-coincidental peaks. AIC has not provided a study in this case that would allow the Commission to establish or reject seasonal rates.

AIC acknowledges that its circuit study performed for this rate case is not a seasonal cost of service study. (Ameren Exh. 31.0 (Rev.), Lines 986-993). Therefore, without a seasonal cost of service study, there is no basis for AIC witness Jones' implication that customers with large seasonal peaks in the fall contribute less than their cost of service.

All of AIC's current distribution delivery rates, except DS-3 and DS-4, reflect seasonal or time-of-use cost of service. DS-5 lighting customer rates reflect night-time off-peak utilization of the distribution substation and circuit system. DS-1 and DS-2 rates have lower winter rates to reflect lower off-peak winter usage such as electric heat. Still, AIC has opposed seasonal DS-3 and DS-4 rates and seems unwilling to perform a seasonal cost of service study. Short of approximating the seasonal cost differential in the DS-1 and DS-2 rates, GFA's position is that the Commission does not have sufficient data in this case to order seasonal DS-3 and DS-4 rates. GFA offers to work with AIC after this case and before AIC's next rate case to study the seasonal cost of service for DS-3 and DS-4 rates, particularly with respect to costs of substations and primary lines.

2. Gas

b. GDS-5 - Expansion of Rate Class Availability

(i) <u>GFA Proposes a Limited Expansion of the GDS-5 Rate</u>.

GFA supports expansion of the current temperature based GDS-5 rate to GDS-3 size customers. Doing so would achieve greater utilization of, and revenues from, the AIC natural gas distribution system during the winter months, while protecting system integrity. The GDS-5 rate was specifically designed to provide benefits to all AIC customers by relieving the AIC distribution system peak. This is accomplished by encouraging GDS-5 customers to self interrupt when the temperature is 25 degrees or below. Whether two or more GDS-3 size customers or one GDS-4 customer of the same size interrupts on cold days, the benefits to all customers are realized. Continuing to make the GDS-5 interruptible feature available only to GDS-4 customers and not GDS-3 customers would be a lost opportunity to provide further system wide benefit.

While all customers are technically eligible for the GDS-5 rate, as a practical matter, the GDS-5 rate is only available to larger customers. This is because the GDS-5 customer charges are in the same range as the GDS-4 Large General Service rate. GFA believes that AIC should add an additional tier to its range of customer charges within the GDS-5 rate for customers of the GDS-3 intermediate size. Adding this tier will encourage greater off-peak utilization of the AIC distribution system. GFA witness Adkisson proposed an additional tier for customers having a MDCQ of greater than 200 and less than 1,000, which is the eligibility requirement for a GDS-3 customer. Mr. Adkisson proposed replicating GDS-3's Customer Charges for this tier. (*See* GFA Exh. 1.01G).

A. <u>The Required Meter and Equipment Costs Are Much Lower Than Claimed by Ameren.</u>

AIC witness Althoff opposes the additional tier, alleging that the DS-3 customer charge will not fully recover the cost of an interval demand meter, service line and others costs. (Ameren Exh. 33.0 (Rev.) Lines 542-544). Ms. Althoff claims that the cost of an interval demand meter and equipment of a GDS-3 size is the same as the larger size meter installed for current GDS-4 size customers on the GDS-5 rate, or $10,800. This is approximately double the cost of a GDS-3 meter. (*See* GFA Exh. 2.01G, 2.02G). As discussed below, Ms. Althoff's testimony makes inaccurate comparisons and, more importantly, fails to provide specific evidence on the cost of meters suited for GDS-3 size customers. Further, Ms. Althoff fails to recognize that the GDS-3 size customer taking service under an expanded GDS-5 rate will not be changing equipment or peak usage and therefore the costs for service lines and related equipment are unchanged, except for the need to have a meter with demand recording capability. GFA has provided vendor quotes for that equipment.

1. **GFA Obtained Real Quotes For Meters and Equipment**.

As the Executive Director of the Grain and Feed Association of Illinois, Mr. Adkisson requested natural gas equipment vendors to quote an interval meter that records demand for GDS-3 grain dryers. Those installed meter costs are listed in GFA Exhibit 2.01G and clearly show that the GDS-3 customer charge is a reasonable proxy for GDS-3 size customer charge for an expanded tier in the GDS-5 rate. The quoted cost of a complete installation of a regulator, meter with demand recording capability with temperature and pressure compensation and data storage electronics is less than $5,000 installed. (*See* GFA Exhibit 2.01G.) GFA is not recommending that AIC begin purchasing meters and regulators from one of the two vendors whose quotes are contained in GFA Exhibit 2.01G. These quotes only demonstrate that for smaller GDS-3 size customers, the installed cost of meters and regulators capable of recording discrete hourly and daily demands as required by the GDS-5 rate schedule can be purchased and installed for less than $5,000.

Ms. Althoff recites a higher meter cost for GDS-5 customers. However, she admits that the cost is for *existing* GDS-5 customers (Ameren Exh. 50.0, lines 287-288), most of whom are GDS-4 size customers. Because GDS-4 customers use a higher volume, they need larger, more expensive equipment than GDS-3 size customers. Ms. Althoff points out that her analysis includes more than the cost of a meter and includes the cost of a regulator, and other related equipment (*Id.*, at Lines 289-291). Ms. Althoff does not take into account that a GDS-3 customer would not change its burners when switching to the GDS-5 rate and therefore the service line, meter and regulator and associated equipment would have the same flow capacity requirement as before. Ms. Althoff provides no evidence whatsoever regarding the cost of meters for GDS-3 customers. The only GDS-3 demand meter costs in the record were provided by GFA.

Ms. Althoff goes on to say that Mr. Adkisson's analysis does not take into account regulators or interval metering equipment, which are part of a metering set. (Ameren Exh. 50.0, Lines 289-291). That is false. GFA Exhibit 2.01G includes the cost of a regulator and interval metering equipment. Ms. Althoff then attacks Mr. Adkisson's detailed cost analysis by stating, generally, that the GFA Exhibit includes only a small portion of a gas meter set, and that the labor component cost is low. (*Id.*, Lines 301-304). Strikingly absent from Ms. Althoff's testimony are any specifics or details regarding the costs she alleges. Surely, if the required equipment is more expensive, Ameren would have that information readily available and she could have included specifics about that equipment in her testimony. Instead, there is nothing, except an unsupported conclusion. In stark contrast, GFA solicited and received real world quotes from real vendors to establish the cost.

2. <u>Ameren's Charges in Missouri Support GFA's Analysis</u>.

To further support its cost analysis, GFA explored Ameren's meter charges in a neighboring state, Missouri. GFA Exhibit 2.03G is the Ameren-Missouri standard transportation tariff sheets 10 and 20.1. This tariff is for a customer whose annual transportation requirements are expected to be 600,000 Ccf or less (therms or less), which approximates the AIC GDS-3 size customer. The Ameren-Missouri standard transportation tariff contains a customer charge, an electronic gas administration charge and a meter equipment charge, which total $93.17 per month. The monthly meter equipment charge for electronically recording and telemetry of customer demands is $21.00. A very conservative 1% per month of installed utility facility carrying charge equates to an Ameren-Missouri standard transportation meter cost of about $2,186, which is very close to the vendor meter quotes contained in GFA Exhibit 2.01G. A monthly facilities carrying charge of 1.25%, equates to an even lower meter cost of $1,680, which may be possible when utilities purchase meters in larger quantities. This level of customer charge in Missouri makes sense particularly when depreciated meter cost is reflected in the meter charge to Missouri customers, rather than the original un-depreciated meter cost referred to by Ms. Althoff.

B. Implementing GFA's Proposal on a Limited Basis Would Not Cause the Rate Design Apocalypse Suggested by Ameren and Staff.

Ms. Althoff further opines that a massive switch to GDS-5 by GDS-3 customers is possible and that such an event would cause such enormous rate administration ambiguity and financial uncertainty for Ameren, that GFA's proposal should be rejected. (Ameren Exh. 33.0, lines 539-544 and Exh. 50.0, lines 325-327). Staff witness Mr. Rukosuev echoes these concerns and renders the same opinion. (Staff Exh. 31.0, lines 593-687).

While GFA believes that these concerns are grossly overstated, to allay these fears and to mitigate any financial impacts on AIC, GFA proposes a couple of measures. First, GFA suggests delaying implementation of the expanded GDS-3 customer charge tier to May 1, 2012. This delay will allow time for GDS-3 customers to assess the optional GDS-5 seasonal rate, time for AIC to implement the expanded GDS-5 rate after the Commission's final order, and to allow AIC to minimize any revenue erosion and adjust charges to actual when AIC files its next gas rate case. Additionally, GFA does not oppose implementing the expanded GDS-5 rate on an experimental basis. For example, the GDS-3 size customer charge could be offered only to the first twelve customers that request it and are not currently taking GDS-5 service.

Staff Witness Rukosuev raises some additional concerns, each of which is without merit. He first opines that GFA's proposal has the potential to set back the attainment of cost-based rates. (Staff Exh. 31, Lines 594-595). That is incorrect. The GDS-5 rate was specifically designed to provide benefits to all AIC customers by relieving the AIC distribution system peak by GDS-5 customers' self interruption when the temperature is 25 degrees or below. As discussed above, whether two or more GDS-3 size customers or one GDS-4 customer of the same size interrupts on cold days, the benefits to all customers are realized. Denying these customers a meaningful opportunity to interrupt on cold days is a lost opportunity to benefit the system.

Moreover, GFA has not proposed to change cost allocation to classes in this case and therefore its proposal cannot possibly set back the attainment of cost-based rates. GFA's proposal is to add another customer charge tier to the cost-based rate that is ordered in this case for GDS-5. GFA proposes to use exactly the cost-based customer charge that the Commission orders in this case for the GDS-3 rate for GDS-3 size customers taking GDS-5 service under the proposed expanded tier. There will not be any cost shift between classes if GFA's proposal is adopted.

Mr. Rukosuev further claims that implementation of GFA's proposal would not be straightforward. (Staff Exh. 31.0, Lines 595-597). To the contrary, implementation is straightforward. Today, any GDS-3 (or even a GDS-2) customer can choose to subscribe to GDS-5 service. So, AIC can currently implement GDS-5 for GDS-3 size customers, as long as the customer has a meter that can record daily demand. Therefore, the means to implement the proposal *already exists*.

Mr. Rukosuev goes further and states that GFA fails to address the impact of its proposal, including rate design, cost allocation, bill impact analysis, customer rate migration, revenue instability and cost analysis. (Staff Exh. 31.0, Lines 610-616). Again, there will be no cost shifting in this case and therefore no cost impact to other customers. Rather, it furthers the benefits that GDS-5 provides currently: system costs savings and reliability by having more GDS-5 customers interrupt when the temperature is 25 degrees or less. Moreover, GFA has provided revenue erosion analysis. If the number of participants is limited, then the chaos Mr. Rukosuev fears will not occur.

Based on the evidence presented in this case, GFA requests that the Commission approve the GDS-5 tariff expansion as proposed in GFA Exhibit 1.01G. To ease concerns of Ameren and Staff, GFA is amenable to delaying the implementation to May 1, 2012, and initially limiting the number of customers that can utilize the new tier.

VIII. PROPOSED RIDERS/TARIFF CHANGES

IX. PROPOSED SMALL VOLUME TRANSPORTATION PROGRAM

X. OTHER

XI. CONCLUSION

The Grain and Feed Association of Illinois is a proponent of seasonal rates. For electric rates, GFA acknowledges that the proper study has not yet been accomplished. Therefore, it would not be appropriate for the Commission to set seasonal electric rates in this case. However, GFA is willing to work with AIC to study seasonal cost of service for DS-3 and DS-4 rates, so that seasonal rates can be considered in AIC's next rate case.

GFA also favors expansion of the seasonal GDS-5 rate, to make it a practical option for GDS-3 customers. Doing so will encourage more self interruption during peak usage, thereby increasing system reliability, and lowering system costs. AIC and Staff have raised some concerns. While GFA disagrees with them, to ease their fears, GFA is willing to delay implementation and initially limit the number of customers. GFA respectfully requests the Commission to approve the proposed change on this limited, experimental basis.

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Respectfully submitted,

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